

Message Text

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47

ACTION ARA-17

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

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LAB-06 SIL-01 OMB-01 PA-03 PRS-01 USIA-12 SS-15 NSC-10

L-03 H-02 IGA-02 RSR-01 /140 W

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R 102320 Z MAY 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 4279

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E. O. 11652: N/ A

TAGS: EIND, CI

SUBJ: GOC EXPANSION OF PUBLIC SECTOR

REF: A) SANTIAGO 191; B) SANTIAGO 1591 C) SANTIAGO 1693

PASS OPIC, COMMERCE AND EXIM

1. ALLENDE GOVERNMENT RECENTLY ANNOUNCED MAJOR CHANGES IN DRAFT BILL (SO- CALLED MILLAS- PRATS BILL) SUBMITTED TO CONGRESS LAST JANUARY (REF A) WHICH WOULD LEGITIMIZE EXECUTIVE' S TAKEOVER OF ALL KEY AREAS OF THE ECONOMY. JANUARY PROPOSAL WAS SUPPLEMENTARY TO PREVIOUS " LIST OF 90" IN THAT ITS PRINCIPAL PROVISION WAS TO PASS TO PERMANENT GOVT CONTROL 49 FIRMS WHICH WERE THEN INTERVENED OR REQUISITIONED. GOC HAS CHANGED BILL TO INCLUDE 44 ADDITIONAL ENTERPRISES (INCLUDING PAPELERA) TO BE EXPROPRIATED, ARRIVING AT A NEW " LIST" TOTALLING 93. BILL ALSO GIVES PRESIDENT WIDE DISCRETION TO EXPROPRIATE FIRMS NOT ON LIST.

2. MINISTER OF ECONOMY MILLAS, TESTIFYING BEFORE CHAMBER OF DEPUTIES COMMITTEE CONSIDERING BILL, INDICATED THAT, IN ADDITION TO ABOVE LIST OF 93, GOC PLANNED FOR QUOTE SOCIAL AREA UNQUOTE 11 OTHER FIRMS, INCLUDING CHITELCO (ITT) WHICH

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IS BEING HANDLED UNDER SEPARATE CONSTITUTIONAL AMENDMENT.
(COMMENT: THERE ARE 14 ENTERPRISES WITH SIGNIFICANT US INVOLVEMENT ON TWO LISTS OF 104 FIRMS, NAMES OF WHICH WE ARE POUCHING SEPARATELY. NAMES OF 14 FIRMS ARE CHITELCO, MADECO, CRISTALERIAS DE CHILE, ELECTROMAT, FORD, PETROQUIMICA DOW, DOW QUIMICA CHILENA, CARBURO Y METALURGIA, AMERICAN SCREW, STANDARD ELECTRIC, PIZARRENO, COBRE CERRILLOS, LAJA CROWN, AND CROWN CORK.)

3. IN SEPARATE DEVELOPMENT, MAY 4 ISSUE OF DIARIO OFICIAL INCLUDED TEXT OF DECRETO DE INSISTENCIA REAFFIRMING REQUISITION OF 38 FIRMS PLUS (UNNAMED) ENTERPRISES IN COMMERCIAL, CONSTRUCTION AND INDUSTRIAL SECTORS, AS WELL AS MOTORIZED VEHICLES (REFB). MILLAS TESTIFIED THAT DECRETO WAS NECESSARY BECAUSE INTERVENTORS OF SOME OF THESE FIRMS MIGHT OTHERWISE BE FACED WITH CRIMINAL CHARGES.

4. COMMENT: GOC DETERMINATION TO PRESS FORWARD WITH POLICY OF ENLARGING SOCIAL AREA HAS NEVER WAVERED. THIS LATEST ATTEMPT TO GET CONGRESSIONAL CARTE BLANCHE FOR SOCIALIZATION HAS LITTLE CHANCE OF SUCCESS. YET, UP FINDS IT USEFUL TO HAVE SUCH INITIATIVES PENDING SINCE SOME PEOPLE MAY FIND IT SUPPORTS GOVT' S CLAIMS THAT IT IS PROCEEDING LEGALLY AND IT ALSO MUDDIES ISSUE OF FINAL DISPOSITION OF QUOTE TEMPORARILY UNQUOTE REQUISITIONED OR INTERVENED FIRMS. MEANWHILE, OPPOSITION HAS NOT BEEN ABLE TO PREVENT EXECUTIVE FROM USING OTHER WEAPONS (SUCH AS DECREE POWER) TO MAINTAIN INITIATIVE. HAVING FAILED IN PREVIOUS EFFORTS TO REACH COMPROMISE ON LIMITS OF EXPANSION OF PUBLIC SECTOR, CONGRESS NOW SEEMS DETERMINED TO MOVE ISSUE ON TO NEW GROUNDS BY PURPORTING OVERRIDE (BY SIMPLE MAJORITY) PRESIDENTIAL VETOES OF ITS VERSION OF 1972 QUOTE THREE AREAS BILL UNQUOTE (REF D). OPPOSITION CONGRESSIONAL MAJORITY IS ALSO CONSIDERING IMPEACHMENT AGAINST ENTIRE CABINET FOR SIGNING DECRETO DE INSISTENCIA.
DAVIS

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